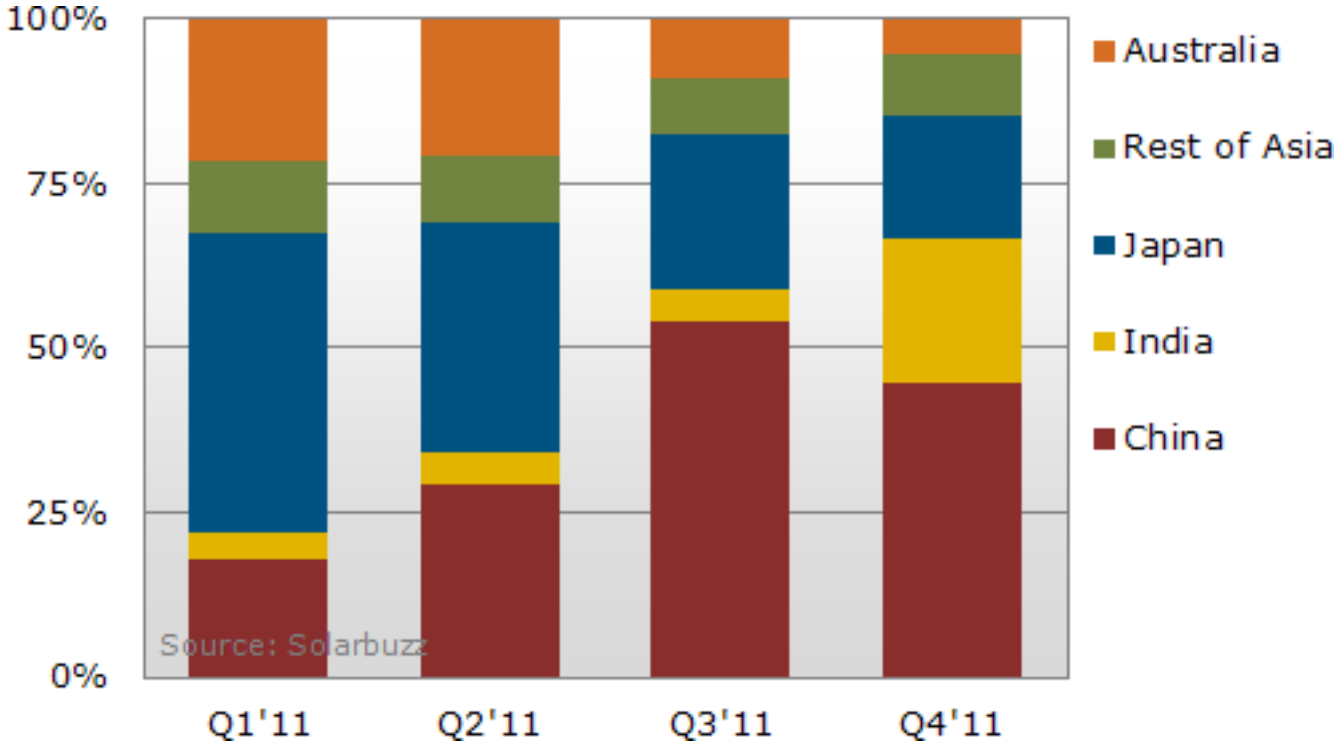
China PV Installations Forecast to Surpass Both US and Japan

In the Asia Pacific region, the photovoltaic (PV) market is forecast to grow 39% Q/Q and 130% Y/Y in Q4’11. Q4'11 installations of more than 2 GW of PV capacity are expected, which will significantly raise the region's share of the global market this year, according to the new *Asia Pacific Major PV Markets Quarterly* [1] report released by NPD Solarbuzz today.

The region is poised to grow an additional 45% in 2012, as Asian governments introduce new installation targets. China's National Energy Administration recently revised its official cumulative solar installation target up from 10 GW to 15 GW for 2015, representing just one of the most recent examples. China is projected to account for 45% of regional demand in Q4'11 and is on course to surpass both the US and Japanese market sizes in 2011.

Figure 1: Asia Pacific Market Demand by Region



Source: NPD Solarbuzz *Asia Pacific Major PV Markets Quarterly* [1]

Elsewhere, regional demand is being driven by national incentive programs in India, while Japan is also growing rapidly ahead of its new FIT program. Other emerging markets in the region such as Taiwan, South Korea, Thailand, and Malaysia are projected to deliver a combined 700 MW of additional demand in 2012.

Non-residential ground mount systems are projected to account for 64% of the regional market by Q4’12, up from just 16% in Q1’11. This share growth will come at the expense of the residential segment which falls from 58% in Q1’11 to just 20% by Q4’12.

Internal rates of return (IRRs) on PV systems in the four major markets will build over the next four quarters, ending 2012 at levels between 10% and 13%, as system prices drop faster than incentive rates.

- Project IRRs are at their highest for utility-scale PV facilities in China and India.
- The more mature markets of Australia and Japan see the best returns in the residential segment.
- In Japan, even with installed system prices significantly higher than other major markets, national and local incentives continue to provide favorable economics.

Market constraints and downstream access issues exist in most countries in the region. In China and India, financing, land use, and regulatory issues are a significant barrier to large-scale projects. India’s market is being shaped by domestic content requirements, while China’s State Owned Enterprises (SOEs) account for more than 50% of the 16 GW Chinese project pipeline. In Australia, policy disruptions have already forced many downstream players into liquidation. In contrast, a building international presence in the Japanese market is evidenced by a steady build in module imports from just over 5% of the market in Q1’10 to a short-term peak of 21% in Q1’11.

“As the European markets no longer present certain growth, the Asia Pacific markets are increasingly the focus of international companies looking to expand. Companies seeking to take a share of this growth still face significant hurdles to define strategies to successfully access the downstream value chain,” said NPD Solarbuzz analyst Christopher Sunsong [2]. “These challenges, though, are unlikely to deter their determination to participate given the potential of this new regional market opportunity.”

The new NPD Solarbuzz *Asia Pacific Major PV Markets Quarterly* [1] report explores the opportunities and risks facing downstream companies in the Asia Pacific region. Falling prices and new incentive programs are generating increased demand, but policy, regulatory, and corporate risks still exist. Understanding all elements of these markets is critical to succeeding in this highly competitive landscape.

The data-driven *Asia Pacific Major PV Markets Quarterly* [1] report brings together a comprehensive and detailed analysis of regional trends, major country market analysis, and developments in smaller country markets. PV market activity over the 12 quarters of 2010-2012 in the major markets of China, India, Japan, and Australia is covered in terms of market drivers and constraints, market segmentation, policy developments and their impact on the market, downstream trends, major project

activity, installed system pricing, and PV project investment economics. The smaller country analysis covers new developments in the past quarter in Thailand, Malaysia, Taiwan, and South Korea. This new report includes a 150-page PowerPoint report, an Excel data summary, and PolicyTracker, a comprehensive Excel-based database showcasing each country's incentive policies.

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